

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF THE HOPKINSVILLE)	
WATER ENVIRONMENT AUTHORITY'S)	CASE NO.
WHOLESALE RATE TO CHRISTIAN COUNTY)	2003-00087
WATER DISTRICT)	

ORDER

On September 29, 2003, Christian County Water District ("Christian County") filed a letter containing a Settlement Agreement ("Settlement Agreement") between Christian County and the Hopkinsville Water Environment Authority ("Hopkinsville") on the rate to be charged by Hopkinsville for wholesale water service. The agreement provides that the rate to be charged by Hopkinsville will be in accordance with the June 19, 1996 Contract Modification Agreement ("1996 Agreement") between Hopkinsville and Christian County.

The 1996 Agreement provides for the wholesale rate to Christian County to be determined based on a 1.3 multiplier applied to the applicable Hopkinsville City rates. In calculating the wholesale rates, Hopkinsville is to include the fourth tier (as the applicable Hopkinsville City rates) that was deleted by the Hopkinsville City Council on November 21, 2000. The Settlement Agreement contains the rates to be charged by Hopkinsville based on Hopkinsville's current rates. Both parties executed the agreement on the rates.

On October 28, 2003, Commission Staff scheduled an informal conference for the parties to clarify their settlement agreement and to determine whether they were willing to negotiate an agreement on any remaining rates and conditions of service. The Commission Staff encouraged the parties to continue negotiating in an attempt to reach agreement on unresolved issues prior to the informal conference. Parties were advised that settlement negotiations would be discussed at this conference and Staff requested that persons from both Hopkinsville and Christian County appear to enhance the completeness of discussions.

By telephone, on October 30, 2003, the attorneys for Christian County and Hopkinsville informed Commission Staff that there was no need for an informal conference to clarify the settlement. On November 5, 2003, the informal conference was cancelled. The Commission will now render its decision on the record as it now exists.

Pursuant to Commission directives to all municipal water systems, Hopkinsville filed a copy of its June 27, 1973 wholesale water supply contract, as amended, with Christian County on September 1, 1994. The Commission made the contract effective, pursuant to 807 KAR 5:011, Section 9(1), on September 22, 1994. No modifications subsequent to the September 1, 1994 filed contract have been filed with or approved by the Commission.

At this time the Commission has before it an agreed-upon rate for wholesale water service between Hopkinsville and Christian County, which should be approved. However, there are certain provisions of the Settlement Agreement that merit further discussion. First, the rates contained in the Settlement Agreement are stated to be

based on the 1996 Agreement between Hopkinsville and Christian County. The Commission has not approved the 1996 Agreement. None of the provisions of the 1996 Agreement are enforceable and the Commission's approval of the Settlement Agreement in this proceeding does not constitute approval of any of the provisions of the 1996 Agreement.

Second, the Settlement Agreement does not address certain issues regarding the payment by Christian County of any arrearages that have arisen during the course of negotiations of this Settlement Agreement. The Commission finds that the collection of any arrearages should not be permitted.

Finally, any future modifications to the 1973 Wholesale Water Supply Contract, as amended through September 1, 1994, that have not been approved by the Commission should be submitted to the Commission for approval. If they are not submitted within 30 days of the date of this Order, they shall be void. Any future modifications to the approved 1973 Wholesale Water Supply Contract that is on file with the Commission must not be implemented until approved by the Commission.

IT IS THEREFORE ORDERED that:

1. The rates contained in the Settlement Agreement, attached as Appendix A, are approved for service rendered on and after the date of this Order.
2. Approval of the rate in the Settlement Agreement does not constitute approval of any of the terms and conditions of the 1996 Agreement between Hopkinsville and Christian County.

3. Hopkinsville shall have 30 days from the date of this Order to file any amendments to the 1973 Wholesale Water Supply Contract, as amended through September 1, 1994, requesting Commission approval. Any existing amendments that are not submitted within 30 days of the date of this Order or have not been previously approved by the Commission shall be considered void.

4. Hopkinsville shall file revised tariff sheets, within 20 days of the date of this Order, reflecting the rates approved herein.

Done at Frankfort, Kentucky, this 17th day of December, 2003.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2003-00087 DATED DECEMBER 17, 2003

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

INVESTIGATION OF THE HOPKINSVILLE
WATER ENVIRONMENT AUTHORITY'S
WHOLESALE RATE TO CHRISTIAN
COUNTY WATER DISTRICT.

)
) CASE NO.
) 2003-00087
)

RECEIVED
SEP 29 2003

PUBLIC SERVICE
COMMISSION

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SETTLEMENT AGREEMENT

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THIS SETTLEMENT AGREEMENT ("Agreement") is made and entered into as of the 9th day of September, 2003, by and between the Hopkinsville Water Environment Authority ("HWEA") and the Christian County Water District ("Water District"), both of whom are collectively referred to as the "Parties";

WITNESSETH:

WHEREAS, on June 28, 1973, the City of Hopkinsville, acting by and through its duly authorized agency, the Hopkinsville Sewerage and Water Works Commission (now known as Hopkinsville Water Environment

Authority or HWEA), entered into a Water Purchase Contract ("Contract") with the Water District;

WHEREAS, there have been multiple amendments, extensions and addendums to the Contract during the past 30 years;

WHEREAS, HWEA has provided wholesale water service to the Water District for the past 30 years pursuant to the terms of the Contract, as amended and extended;

WHEREAS, a dispute has arisen between the Parties concerning the wholesale rate to be charged to the Water District;

WHEREAS, on March 11, 2003, the Public Service Commission ("Commission") established this proceeding to investigate the reasonableness of the new wholesale water rate proposed by HWEA to the Water District; and

WHEREAS, the Parties have engaged in good faith settlement negotiations which have produced this Agreement;

NOW THEREFORE, HWEA and the Water District agree as follows:

1. The wholesale water rates that HWEA shall charge the Water District shall be in accordance with the June 19, 1996 Contract Modification

Agreement ("1996 Amendment") between HWEA and the Water District. The 1996 Amendment provides for a 1.3 multiplier times the applicable city rates. In calculating the wholesale rates, HWEA shall include the fourth tier which was deleted by the Hopkinsville City Council on November 21, 2000. Based upon the current city rates, the wholesale rates that HWEA shall charge the Water District are set forth in **Schedule 1** which is attached hereto and incorporated herein by reference.

2. Based upon the available information, both HWEA and the Water District believe that the rates set forth in **Schedule 1** closely approximate HWEA's actual cost of producing and delivering water to the Water District. Both Parties are satisfied that the proposed wholesale rates are fair, just and reasonable.

3. The Parties request the Commission to enter an Order finding that the rates set forth in **Schedule 1** are fair, just and reasonable and approving the rates set forth in **Schedule 1**.

4. Each Party pledges to use its best efforts to help expedite the approval of this Agreement by the Commission.

5. It is understood by the Parties that this Agreement is subject to the acceptance of, and approval by, the Commission and is not binding upon the Commission.

6. If the Commission adopts this Agreement in its entirety, each Party agrees that it will not bring an action for review of the Commission's final order in this case in the Franklin Circuit Court.

7. If the Commission does not adopt this Agreement in its entirety, each Party reserves the right to withdraw from the Agreement, to request that Case 2003-00087 proceed as if no Agreement had been executed, and to request a formal hearing in this proceeding. In such event, this Agreement shall not be binding upon any of the Parties and shall not be admitted into evidence or relied upon in any manner by either of the Parties, the Commission, or its Staff.

IN WITNESS WHEREOF, each of the Parties, by its duly authorized
Chairman and attorney, has executed this Agreement as of the date first
above written.

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY

BY: Robert C. Carter
ROBERT C. CARTER, CHAIRMAN

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY

BY: Andrew C. Self
ANDREW C. SELF, ATTORNEY

CHRISTIAN COUNTY WATER DISTRICT

BY: William Lile
WILLIAM LILE, CHAIRMAN

CHRISTIAN COUNTY WATER DISTRICT

BY: Damon R. Talley
DAMON R. TALLEY, ATTORNEY

SCHEDULE 1

WHOLESALE RATES TO BE CHARGED BY HWEA TO CHRISTIAN COUNTY WATER DISTRICT

USAGE BLOCK	RATE PER 100 CUBIC FEET	EQUIVALENT RATE PER 1,000 GALLONS
First 3,000 cubic feet	\$2.30	\$3.08
Next 3,000 cubic feet	2.02	2.70
Next 3,000 cubic feet	1.46	1.95
All over 9,000 cubic feet	1.19	1.59